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Leza L Olson 10/30/2006 09:10:17 AM From DB/Inbox: Leza L Olson

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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 004303

SIPDIS

E.O. 12958: DECL: 10/27/2012  
TAGS: [PREL](#) [PGOV](#) [PINR](#) [KPAL](#) [IS](#) [US](#)  
SUBJECT: THE LIEBERMAN FACTOR IN ISRAEL POLITICS AND U.S.  
INTERESTS

REF: A. TEL AVIV 4034  
[B](#). TEL AVIV 4256  
[C](#). TEL AVIV 4107  
[D](#). 02 TEL AVIV 1441  
[E](#). 03 TEL AVIV 3172  
[F](#). 04 TEL AVIV 1689  
[G](#). 01 TEL AVIV 1870

Classified By: Ambassador Richard H. Jones. Reason 1.4 (B/D)

[1](#). (C) Summary: Avigdor Lieberman's Yisrael Beiteinu (YB) party is poised to formally join the governing coalition on October 30, following negotiations with PM Olmert and the grudging acceptance of this deal by Labor Party chairman Amir Peretz. Although several Labor MK's have made their vociferous opposition to Lieberman's inclusion known (ref A), their ability to block Knesset approval of the deal on October 30 -- or force Labor to leave the coalition because of it is limited, and will fail. By bringing in YB, Olmert buys more time in office and some political stability in the Knesset at a time when he is down in the polls for his handling of the Lebanon war and facing investigation for several allegations of corruption (ref B). The political impact may well be the creation of another "bipolar" Israeli government that is similar in some respects to the first Sharon government of 2001 -- when Labor and YB last participated in government together. Unlike the situation that prevailed in 2002 and 2004 when Lieberman quit Sharon's cabinet over policy issues while Labor lingered, Lieberman now has greater political leverage, and may, in joining the coalition, ultimately force Labor to quit, particularly if he succeeds in blocking Labor policy objectives regarding the Palestinians. The new coalition may well be better able to survive domestic battles in the Knesset over issues like the budget, but adding Lieberman will likely render Olmert's government less willing or able to move ahead with U.S. policy initiatives, such as implementing the AMA or

dismantling outposts. End Summary.

#### WINNERS AND LOSERS OF COALITION POLITICS

12. (C) In the tumultuous world of Israeli politics, Olmert is viewed by his supporters and even some critics as having made an astute political move that secures his longevity in office and protects the Kadima-led coalition in the Knesset from fracturing in the aftermath of the Lebanon war. Olmert has cemented a center-right alliance that his political strategists, such as Kadima faction leader Avigdor Yitzaki have advocated ever since the March 2006 elections. For his part, Lieberman is poised to enter Olmert's coalition at the expense of two of his competitors (for PMship): a weakened Amir Peretz on the left and an outmaneuvered Binyamin Netanyahu on the right.

13. (C) In joining the coalition, Lieberman achieves heightened political status at the expense of his former mentor and current opposition rival, Netanyahu, and could serve as a kingpin who ushers in his friends on the far-right when and if Labor bolts the coalition. "Benny Elon of the National Union (which was paired with Yisrael Beiteinu in the last Knesset) and the National Religious Party are already making noises about joining the coalition," Kadima MK Yoel Hasson, who is the Kadima whip, told poloff October 24. Netanyahu's titular status as opposition leader is of even less consequence now that a stalwart of the Israeli "national camp" will become a pivotal member of the Olmert government. Hasson, who also serves as faction leader Yitzaki's deputy, remarked: "Lieberman realizes that if he wants to be PM, he must be closer to the center. In joining the coalition, he forces Bibi to appear to be further to the right (than he, Lieberman, is)." Adding insult to injury, as Minister for Strategic Threats, Lieberman will be empowered to deal with the strategic threat -- Iran -- that Netanyahu has been focused on for a decade, and especially since the March elections.

#### LABOR DIVIDED, PERETZ FLIP FLOPS

14. (C) Peretz remains immobilized by competitors for the 2007 Labor Party leadership race and his own indecisiveness. One day, Peretz states that he will never serve in a government with Lieberman, only to flip-flop days later. Arab MKs in the Labor Party, and others, are pinning their hopes on securing a secret ballot of the Labor Central Committee on Sunday, October 29, which will decide whether Labor approves YB's entry in the coalition and Lieberman's ministerial appointment when it comes to the Knesset, likely on October 30. MK Nadia Helou (Labor) told poloff October 26 that Labor's Knesset faction leader, MK Efraim Sneh, had now joined the cohort of Labor leaders that support staying in the government -- perhaps enticed by a return to the newly revived Deputy Defense Minister portfolio that Olmert offered to Labor as a sweetener for the bitter Lieberman pill. Helou implied that this move had tipped the balance in favor of Labor staying in government -- for now. On the other hand, Helou, who is one of two Arabs in the Labor Party, discounted the importance of Olmert's reported offer to Peretz of the chairmanship of an inter-ministerial committee on Arab issues, noting that previous committees gave rise to more talk than action on the ground. She echoed comments made by Peretz in the press that the current coalition would last no more than a year and predicted early confrontation over issues ranging from social policy to foreign policy.

#### LIEBERMAN'S PRICE PAID IN ABANDONMENT OF REALIGNMENT

15. (C) Olmert secured Lieberman's participation in the government for the price of a single ministerial portfolio, which, in Israeli politics, is a bargain. Yet Lieberman, who has a reputation of opting to honor his principles rather than hold on to ministerial positions, secured influence on GOI policy, which is of greater importance to him than posts for other YB politicians. As Lieberman wrote to the Speaker of the Knesset on September 4, 2006, he does not support evacuation of outposts or further unilateral territorial

concessions. While Olmert maintained that the government guidelines ([www.pmo.gov.il/PMOEng/Government/Policy](http://www.pmo.gov.il/PMOEng/Government/Policy)) would remain in force, Olmert has, in fact, also announced that he has put on hold the realignment policy that catapulted Kadima into power last March. Moreover, in his first address to the Knesset fall/winter session, Olmert placed government reform ahead of peace process-related priorities and did not mention realignment at all (ref C).

#### LIEBERMAN'S PAST POLICY PRESCRIPTIONS AND CURRENT FOCUS

¶16. (C) In the policy vacuum created by Olmert's apparent abandonment of further, unilateral withdrawals from the West Bank in the wake of the Lebanon war, Olmert has opened the door for Lieberman to wield new policy influence on "strategic threats." Lieberman has said he believes Iran to be Israel's sole strategic threat, while other threats posed by the Arab world are subsidiary to it (ref B). Although Lieberman remains concerned by the chaotic situation in Gaza and the potential for the West Bank to follow suit, he has consistently opposed U.S. initiatives such as the Tenet Plan (ref D) and Roadmap (ref E), and demonstrated with his feet his unwillingness to support Israeli initiatives to change the situation in the Palestinian territories. In 2002, he quit what he termed Sharon's "Peres-Arafat Coalition" over his objections to Sharon's willingness to allow Arafat to leave Ramallah and to permit "negotiations under fire." In 2004, Lieberman again parted ways with former PM Sharon over disengagement from the Gaza Strip and parts of the West Bank, moves he felt Palestinians would view as "weakness, not an effort to compromise" (ref F).

¶17. (C) Lieberman has advocated a variety of alternative plans for dealing with Palestinians, ranging from a 2002 proposal to cantonize the West Bank and Gaza and make residents of these cantons citizens of Jordan (ref E) to his more controversial 2004 "Separation of Nations" alternative to disengagement that proposed separating the populations and territories of Jews and Arabs, including carving off several Israeli Arab towns along the Green Line, such as Umm Al-Fahm. Lieberman, who lives in a West Bank settlement, is a staunch advocate of settlements, and promoted it actively in his first ministerial portfolio as Infrastructure Minister in Sharon's first government (ref G). In a March 2006 Ha'aretz interview, Lieberman proposed forfeiting all of the Israeli Arab settlements on the seam (Green Line) between Israel and the Palestinian Authority -- such as Umm Al-Fahm, Baka al-Garbiyah and Taibeh -- and exchange them with Jewish settlements such as Maale Adumin and Gush Etzion.

#### LIEBERMAN IMPACT ON U.S. POLICY

¶18. (C) U.S. efforts to implement initiatives to improve the quality of life of Palestinians living in the West Bank and Gaza, including the November 15, 2005, Agreement on Movement and Access (AMA) and demolition of outposts, may well face new obstacles when Lieberman joins Olmert's government. Press reports indicate that embattled Defense Minister Peretz, our key interlocutor on AMA issues, intends to move ahead with plans to remove illegal outposts in the near future. By provoking a confrontation with Lieberman on outposts, Peretz may hope to improve his credibility in the left. But Peretz has no track record of success on this issue, merely talk. A showdown that he lost to Lieberman could further weaken Peretz's institutional support in the MOD and IDF. More generally, Lieberman does not support the creation of an independent, viable Palestinian state, and has already dismissed President Abbas as weakened and corrupt -- not a partner. His own preferred Palestinian interlocutor is Mohammed Rashid (whom he knows from his days as Netanyahu's chief of staff in the late 1990's) (ref B).

#### BIO NOTE:

¶19. (C) Lieberman immigrated to Israel from Moldova in 1978. He is a controversial figure among many Israelis due to his reported history of personally bullying Arabs in fights during his student days, and politically in the Knesset,

where he recently called for Nuremberg-like trials and executions of disloyal Arab MKs who consort with enemies of Israel, such as Syria. A Muslim Arab Knesset staffer told poloff that Lieberman, despite his public rhetoric, is polite and friendly with him in person. Lieberman, however, declines invitations to visit mainly Arab towns (unlike others on the far-right who have visited mainly Arab or mixed towns such as Sakhnin or Jaffa to try to provoke confrontation by calling for transfer of Arab citizens). Thus, Lieberman lives the Arab-Jew separation that he believes is the foundation for coexistence at a time of clashing civilizations.

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